

Message Text

CONFIDENTIAL

PAGE 01 EC BRU 01309 091433Z

43

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 ABF-01 SS-15

NSC-05 L-03 /084 W

----- 119323

R 091318Z FEB 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 475

INFO ALL EC CAPITALS 1647

AMEMBASSY JIDDA

C O N F I D E N T I A L EC BRUSSELS 01309

NOFORN

E.O. 11652: GDS

TAGS: EFIN, EEC

SUBJECT: EC COMMON BORROWING FACILITY - POSSIBLE LOANS FOR
IRELAND AND ITALY

REF: (A) EC BRUSSELS 678 (NOTAL), (B) 75 EC BRUSSELS 10804 (NOTAL),
(C) 75 EC BRUSSELS 10375

1. BEGIN SUMMARY: COMMISSION OFFICIALS EXPECT THE FEBRUARY 16 FINANCE
COUNCIL MEETING TO AUTHORIZE THE EC TO BEGIN NEGOTIATIONS FOR \$1 BILL
ION
BORROWING FOR ITALY. SHOULD NEGOTIATIONS BE SATISFACTORILY COMPLETED
WITH SAUDI ARABIA, THE COUNCIL IS ALSO EXPECTED TO AUTHORIZE A \$300
MILLION BORROWING ON BEHALF OF IRELAND. END SUMMARY.

2. POSSIBLE ITALIAN LOAN: COMMISSION OFFICIALS TELL US THAT ITALIAN
AUTHORITIES HAVE REQUESTED INFORMALLY A LOAN OF ABOUT \$1 BILLION
FROM THE
EC COMMON BORROWING FACILITY. THE FACILITY WOULD BORROW THE FUNDS ON
THE EUROCURRENCY MARKET FOR A FIXED PERIOD SUCH AS FIVE YEARS WITH A
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 01309 091433Z

FLEXIBLE INTEREST RATE WHICH WOULD BE ADJUSTED EVERY SIX MONTHS OR YE

AR.

MEMBER STATES HAVE INDICATED THAT THESE ARRANGEMENTS WOULD BE SATISFACTORY.

COMMISSION OFFICIALS CONSEQUENTLY EXPECT TO OBTAIN THE FINANCE COUNCIL'S APPROVAL AT ITS FEBRUARY 16 MEETING TO UNDERTAKE NEGOTIATIONS WITH A CONSORTIUM OF BANKS TO ARRANGE FOR THE BORROWING. ONCE THE NEGOTIATIONS ARE COMPLETED, THE COUNCIL WOULD BE ASKED TO GIVE ITS FINAL APPROVAL TO THE BORROWING.

3. ITALIAN POLICY CONDITIONS: BEFORE MAKING THE PROPOSED LOAN. THE COMMISSION PLANS TO REVISE THE 1976 ECONOMIC POLICY CONDITIONS FOR ITALY (SEE REF B). IN VIEW OF THE GROWING GOI BUDGET DEFICIT, ESPECIALLY ON CURRENT EXPENDITURES, COMMISSION OFFICIALS HAVE IN MIND SETTING CEILINGS FOR CURRENT BUDGET EXPENDITURES. THE EC WILL LIKELY SEND A WORKING GROUP OF THE MONETARY COMMITTEE TO ITALY SHORTLY AFTER THE FEBRUARY 16 MEETING, IF THE COUNCIL APPROVES THE LOAN NEGOTIATIONS. THIS GROUP WILL COORDIANTE WITH THE IMF. OFFICIALS HERE ARE CONFIDENT THAT THE EC WILL BE ABLE TO BORROW THE REQUESTED AMOUNT.

4. LOAN FOR IRELAND: AS LONG AS NEGOTIATIONS CAN BE SATISFACTORILY COMPLETED WITH SAUDI ARABIA, COMMISSION OFFICIALS EXPECT THE FEBRUARY 16 FINANCE COUNCIL TO APPROVE A FACILITY BORROWING OF ABOUT \$300 MILLION FROM SUADI ARABIA FOR IRELAND. NEGOTIATIONS WITH THE SAUDI ARABIAN MONETARY AGENCY (SAMA) HAVE REACHED A HITCH, HOWEVER. SAMA HAS REQUESTED THREE LEGAL CONDITIONS REGARDING SAFEGUARDS FOR THE BORROWING WHICH THE EC CONSIDERS AS INAPPROPRIATE FOR A GOVERNMENT-TO-GOVERNMENT LOAN. NO POLITICAL CONDITIONS ARE INVOLVED, HOWEVER. SHOULD THE SAMA NEGOTIATIONS BREAK DOWN, COMMISSION OFFICIALS PLAN TO TURN TO THE EUROBOND MARKET TO MAKE A SIMILAR BORROWING. SAMA IS CURRENTLY PROPOSING A FIVE-YEAR LOAN AT A RATE OVER 9 PERCENT. MORRIS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, POLICIES, LOANS, CURRENCY STABILITY, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU01309
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760048-1098
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760269/aaaacijc.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 EC BRUSSELS 678, 76 EC BRUSSELS 10804
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAR 2004 by ElyME>; APPROVED <03 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC COMMON BORROWING FACILITY - POSSIBLE LOANS FOR IRELAND AND ITALY
TAGS: EFIN, EI, IT, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006